# OurStore pricing policy

*The Store’s image is up to date, stylish merchandise. The type of customer our store attracts is more image-conscious than price-conscious.*

*Our merchandise is medium- to high-priced, however, our emphasis is on supplying a wide selection of quality merchandise as well as providing excellent customer service. Furthermore, our store is known for our end of season mark-down sales where merchandise is cleared at bargain prices.*

*Considering this, the purpose for a store pricing policy is for prices to reflect and fit in with the store image, so that prices are competitive and most importantly, the store makes a profit.*

## Mark-up and profit margin policies

Mark-up and profit margin polices are confidential to Management, the Stock Controller, Buying Department and selected Supervisors.

There are two key elements to consider when developing a pricing policy. These are *mark-ups* and *margins*.

*Price Points* are to be as follows:

**Below $1**: to be priced in even multiples of 10c, 20c, 50c, 70c, etc.

**$1 and $2**: as even dollar amounts $1 and $2

**Over $2**: prices should end in .95c so $3 becomes $2.95, $5 becomes $4.95 and $10 becomes $9.95

**Over $30**: revert to even dollar amounts $1 below the $10 multiples. So $50 becomes $49, $70 becomes $69, $100 becomes $99 etc.

### Mark-up

Mark-up is the amount added to the cost price of merchandise to give a selling price that meets profit requirements. All items are to be marked up 150% of their true cost price.

The cost price should be multiplied by 150% and added to the cost price. For example:

|  |  |  |
| --- | --- | --- |
| Cost Price | Mark-up | Selling price |
| $10 | 150% | $25 rounded to price point of $24.95 |
| $20 | 150% | $50 rounded to price point of $49 |
| $50 | 150 % | $125 rounded to price point of $125 |
| $100 | 150 % | $250 rounded to price point of $249 |

### Profit margin

Profit margin is the estimated gross profit that would be achieved by selling goods at full selling price. It is calculated by deducting the cost of goods sold from the selling price. For our store to be viable, a profit margin of 60% needs to be achieved.

$25 – $10 = $15 profit.

To convert this to a %, use the formula below:

((selling price – cost price) ÷ selling price) \* 100 = Profit Margin

(($25 – $10) ÷ $25) \* 100 = ($15 ÷ $25) \* 100 = 0.60 \* 100 = 60%

It is important to understand that marking up merchandise 150% will only achieve a 60% profit margin. If merchandise is sold for less than the recommended selling price for reasons such as stock losses, mark-downs, shrinkage etc., the overall gross profit is reduced.

**Some elements that contribute to the level of profit margin and mark up are:**

* **cost price**
* **freight**
* **storage**
* **wages**
* **rent**

## Supervisor’s role in mark-downs

*All supervisors should be aware of the reason for mark-downs. Remember unwanted stock takes up valuable space and costs our store valuable profits. It is the supervisor’s responsibility to keep an eye out for slow-moving stock and suggest strategies to rectify the problem. Supervisors must keep good records so that Management can keep track of what is being marked down.*

### When should supervisors mark-down merchandise?

Merchandise is to be marked down at the end of its selling season or if it is slow moving, obsolete, damaged or priced higher than that of our competitors. It is preferred mark-downs are planned for holiday programs or special events.

Benefits of mark-downs:

* Increase the traffic flow of customers
* Increases the sales of other merchandise in store

Procedures for Mark-downs

* Supervisors must carry out a weekly inspection of merchandise in their department and fill in report of slow moving merchandise and suggest mark-downs figures
* Mark-down sheet is sent to the Stock Controller for approval and sign same
* Once the mark-down sheet is approved and signed by the Stock Controller, it is the Supervisor’s responsibility to inform all staff members of the price mark-downs to prevent embarrassing situations of staff members quoting old prices to customers
* The mark-down sheet is to be filed in the mark-down book, which is kept under the counter for easy reference to all staff.

Supervisors have permission to discount up to 15% on any items that are damaged or stained without permission from the buying office. However it must be recorded on the mark-down sheet. It is important for shrinkage and profit records that these are recorded accurately.

The Supervisor should carry out spot checks to ensure:

* All staff mark merchandise with the correct price and are following store policy
* All price tags and tickets have been changed
* Staff or customers are not fraudulently changing mark-downs

## Price marking

Price marking is a critical area, which, if not properly controlled, can cause major problems with customers.

* All price tags are to be attached to the inside label of clothing garments.
* Never insert plastic tags through the garments.
* Other merchandise price tags are always to be placed on the right-hand corner of the item.
* When a price is reduced, over stamping the old label with the mark-down price is permitted.
* When the price goes up, all of the old label must be removed without fail.
* The price of merchandise on sale is correct and clear to the customer.